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INFO RUEHBO/AMEMBASSY BOGOTA 4204
RUEHBR/AMEMBASSY BRASILIA 7144
RUEHBU/AMEMBASSY BUENOS AIRES 2719
RUEHCV/AMEMBASSY CARACAS 0032
RUEHLP/AMEMBASSY LA PAZ DEC SANTIAGO 1019
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHDC
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DEPT FOR WHA/AND,/EPSC, EB, OES, E, OES
TREASURY FOR J. LEVINE
STATE PASS TO EXIM, OPIC, TDA

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TAGS: [EFIS](#) [ETRD](#) [EAID](#) [SENV](#) [PE](#)
SUBJECT: PUNO: TROUT AQUACULTURE BOOMING

REF: LIMA 2507

11. SUMMARY. Trout ranching is a new economic activity for the poor Lake Titicaca area and has great potential for expansion. With private sector leadership and USAID support, the industry made great strides since 2004 and will export 700 tons to some of the most competitive markets in the world, including Canada, Japan, Norway and the United States. Passage of the PTPA would be a great boon to this poor region, encouraging exports and enabling local exporters to purchase prized U.S. equipment, currently priced out of the market by high duties. END SUMMARY.

TROUT BACKGROUND

12. Trout ranching is a new economic activity for the Lake Titicaca area, with great potential for expansion. Several varieties were introduced to the 3810m-high lake in 1940 as a fast-growing, sizeable food source to combat malnutrition in the population that was dependent on small native fish. After the voracious trout decimated the local fish, aquaculture was introduced to control the trout and produce a stable food source. Small trout pens even support the locals who live on the famous Uros floating islands to which tourists flock.

13. For decades, trout production suffered due to weak supply and distribution channels, weak quality control, poor management and ill-conceived state interventions. While trout was consumed locally and sold in limited amounts to Lima, until recently it was not exported. Starting in 2004, with private sector leadership and USAID support the industry made great strides and now exports to some of the most competitive markets in the world. The year-round cold temperature (51 degrees Fahrenheit) in Peru's 65 percent section of Titicaca's 8300 hectares (HA) and 324 smaller lakes is perfect for trout, a fast-growing species whose flesh is prized by Europeans, North Americans and East Asians. There is also a high domestic consumption and a lively artisanal (and unregulated) export industry to Bolivian consumers.

TROUT AQUACULTURE IN PRACTICE

14. Econoff visited several trout pens anchored in Lake Titicaca. With a three-month cycle, fish are brought to market quickly. The traditional wood pens buoyed by plastic bottles are giving way to an easily-cleanable and -repairable steel modular system that can be expanded as the owner obtains more financing for expansion. Anchovy fishmeal had been the traditional feed, but with fishmeal's high

value most of that production is now exported to China. Soy or local grains such as quinoa are now the primary feed.

EXPORTS TAKING OFF

15. A mini export boom started in 2004 when a partnership between the Huancayo-based Piscifactoria de Los Andes (Piscis) and USAID successfully established a \$1.2 million investment in thirty-two floating cages and a processing factory. Piscis's existing marketing, supply channels and quality control systems were combined with USAID technical assistance in production technologies, quality control for small producers and community relations. Noting the great potential of the Lake Titicaca area (including the surrounding lakes), Piscis has decided to move its headquarters and concentrate its operations in Puno.

EXPORTS TO U.S.

16. The primary export markets for the frozen product are Canada, Japan, Norway and the U.S. A visit to the efficient processing room showed why Piscis quality control commands a loyal high-paying clientele: the workers (majority women, prized more for their manual dexterity) use surgical forceps to pluck every trout bone. The U.S. market includes both frozen fresh and smoked trout, mostly Rainbow. Piscis is actively expanding its export opportunities, and hoping to also increase its 100-person work force - all formal sector employees. Piscis is the only Puno firm that has achieved quality-control standards sufficient for formal export.

POTENTIAL

17. The current potential for expanding production is considerable, according to Association of Trout Ranchers (APT) executives. APT General Manager Luis Molina noted that trout production in Puno went from 50 tons in 1987 to 3000 in 2006. In 2005, over 3200 persons were directly employed in trout ranching, feed provision or transport.

The Ministry of Production has authorized 17,000 ha for trout production, of which only four percent is in use. Under a promotional scheme, the Ministry now charges only document processing fees to get into the business, around \$120. Starting in 2010, the Ministry will charge an annual permit fee. The cost for a modern, "starter" four-pen system, manufactured in Lima, has been around \$20,000. Now two Puno manufacturers are producing the pens for about \$13,000. The main barrier to expansion of the industry is poor access to credit.

CHALLENGES: POLLUTION, TRAINING, CREDIT

18. The Minister of Housing and Sanitation, Hernan Garrido-Lecca, told Econoff some weeks ago that cleanup of Lake Titicaca was a high national priority. Most contacts in Puno said that improving the water quality of Lake Titicaca was the top development priority for the region. Most current aquaculture is located near Puno city, the main population center on the lake. There is no human sewage treatment and precious little wastewater treatment, with effluents running directly into the lake or into rivers that feed the lake. (Note: the extensive algae scum in Puno Bay is readily apparent to the visitor. End Note.)

HOW THE FREE TRADE AGREEMENT WILL HELP

19. There was general agreement that the Peru Trade Promotion Agreement would be a boon for the trout industry. Piscis, APT and outgoing Regional President all saw the U.S. as a source for increased exports. APT and Piscis both import trout eggs from the U.S. While the modern pens are now made locally, U.S. outboard motors and trout production equipment are prized but expensive under the current import duty regime.

TRANS OCEANIC HIGHWAY AND CHILEAN INVESTMENTS

110. There was also consensus that the highway under construction to connect Brazil to Southern Peru (passing through Puno) will be important to augment trade in the region. Chilean investors had already set up a number of pens along Lake Titicaca.

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